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ANALYSIS OF FISCAL YEAR 1989 BUDGET PROPOSALS FOR VETERANS' BENEFITS AND SERVICES

COMMITTEE ON VETERANS' AFFAIRS

FEBRUARY 25, 1988.—Printed for the use of the Committee on Veterans' Affairs of the House of Representatives

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[Note.—This document is composed of two parts; the first part is a *summary* of the major issues in the President's budget; the second part consists of additional background and analysis of selected issues.]

SUMMARY OF MAJOR ISSUES IN PRESIDENT'S 1989 BUDGET RECOMMENDATION

SUBCOMMITTEE ON HOSPITALS AND HEALTH CARE

MEDICAL BUDGET HIGHLIGHTS FOR FISCAL YEAR 1989

(DECREASES AND INCREASES REFER TO COMPARISON WITH ACTUAL FISCAL YEAR 1988 BUDGET)

1. The President's proposed medical care budget for fiscal year 1989 is $10.3 billion, an increase of 2 percent. This percentage is less than half of the CBO's projection of a rise of 4.5 percent in inflation and is only one-third of the projected rise in the medical consumer price index (medical CPI) of 7 percent. (The chart on p. 3 shows the discrepancy between actual and deflated (1977 dollars) budget authority for fiscal years 1975 to 1988 and requested versus deflated dollars as projected for fiscal years 1988 and 1989.)

2. The proposed medical care budget is short about $370 million of a VA-projected current services budget. This funding shortfall is reflected in reductions in medical staff which will impact on the level of care delivered to veterans.

3. The budget includes a proposed decrease in medical care personnel of 4,270 FTEE, including:

—"One percent productivity increase" for a decrease of 1,944 FTEE (this is the 4th consecutive proposed productivity increase for a total proposed decrease of 7,710 FTEE over four years).

—Cut of 2,879 FTEE for hospital wards (1,476 cut in medical bed sections; 777 cut in surgical bed sections, and 835 cut in psychiatric bed sections).

—This significant proposed reduction in staff is partially offset by proposed additional staff for activations of new facilities of 1,882 FTEE. There is also a partial offset of 588 FTEE proposed additional staff for extended care. However, serious shortages of medical personnel would persist in the wards as the requirement for personnel to staff the newly activated facilities would not help with the ward staff shortages.

—These decreases are despite VA-projected workload increases of 2,760 hospital admissions (for a total of 1,033,452 admissions) and 211,000 outpatient visits (for a total of 23,084,000 visits).

4. There is a proposed decrease of $34.4 million in money planned to purchase high-technology medical equipment and devices which replace outmoded models or incorporate new techniques and which have longer operational lives than older equipment. OMB has continually directed the VA to underfund this program.

5. Only one new VA nursing home is proposed (120 beds in Tampa, Florida). The VA projects a shortage of 2,300 VA owned and operated nursing home beds by 1992. The VA plans to operate approximately 15,300 nursing home beds by the end of fiscal year 1992. This is approximately 3,600 more beds than the 11,700 beds which the VA operated as of December 1987 with an occupancy rate of 93 percent and with long waiting lists for admission. Funds previously appropriated will allow the VA to activate 1,300 beds over the next two fiscal years, but no funds were requested for fiscal year 1988 and funds for only 120 beds have been requested for fiscal year 1989. At the present pace of construction and conversion, the VA will fall short of its 1992 goal by about 2,300 nursing home beds. (The chart on p. 4 displays the number of new nursing home bed construction requests for fiscal years 1982 to 1989.)

6. The Administration recommends a decrease of $22.1 million in construction. This represents a decrease of $62.2 million for replacement and modernization of hospitals despite the fact that over 53 percent of all VA beds are in facilities which are over 30 years old.

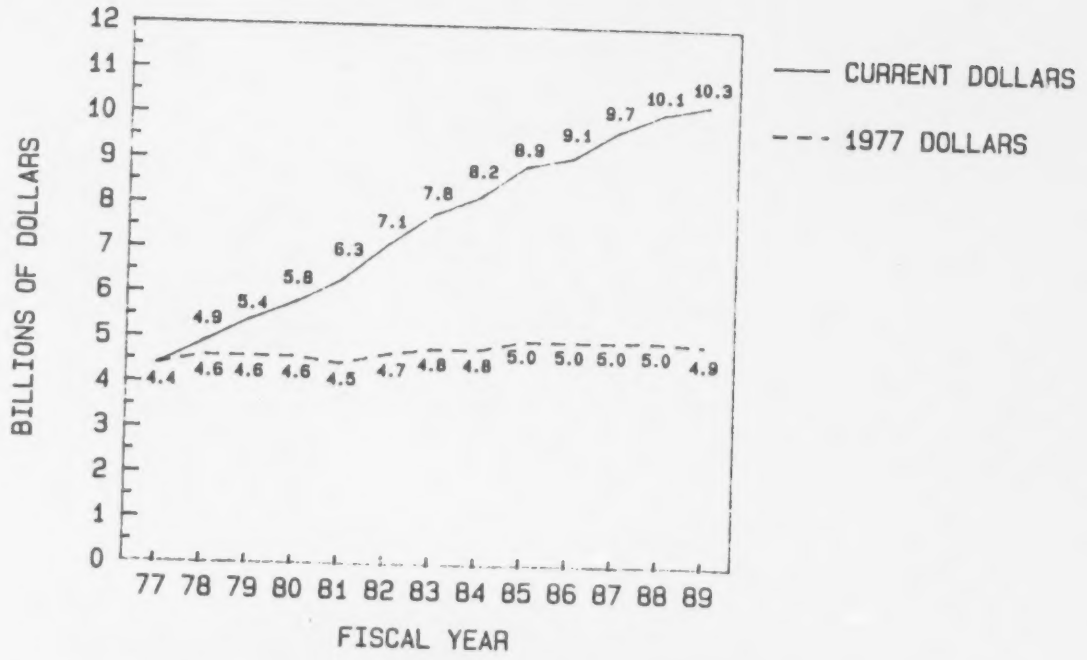
7. The budget proposes no increase in funds for the care of veterans with Acquired Immune Deficiency Syndrome (AIDS) except for an increase of 4 FTEE and $260,000 to establish a program office for Acquired Immune Deficiency Syndrome. The VA, as of January, 1988, is caring for 3,600 veterans with AIDS and expects to be caring for approximately 5,400 by the end of fiscal year 1988. This is approximately 6 percent of the Nation's AIDS patient load. The projected annual average cost of caring for each AIDS patient is $30,000 plus an additional $8–10,000 annual cost for AZT, the only approved AIDS drug in the U.S.

8. For the Vet Center program the budget proposes a decrease of 79 FTEE and $4.7 million. The VA did not provide any plan to specify how it will reduce this program.

9. The Administration recommends a research program decrease of 110 FTEE but the budget is increased by $11 million for planned initial procurement of significant cost, high-technology equipment for AIDS and other equipment-intensive research projects.

10. The budget proposes no funds for care of the homeless which is reflected by a programmatic decrease of $15.5 million. Resources to continue the program will be taken from funds allocated to the medical care account. In effect, this is a reduction in scarce medical care funds.

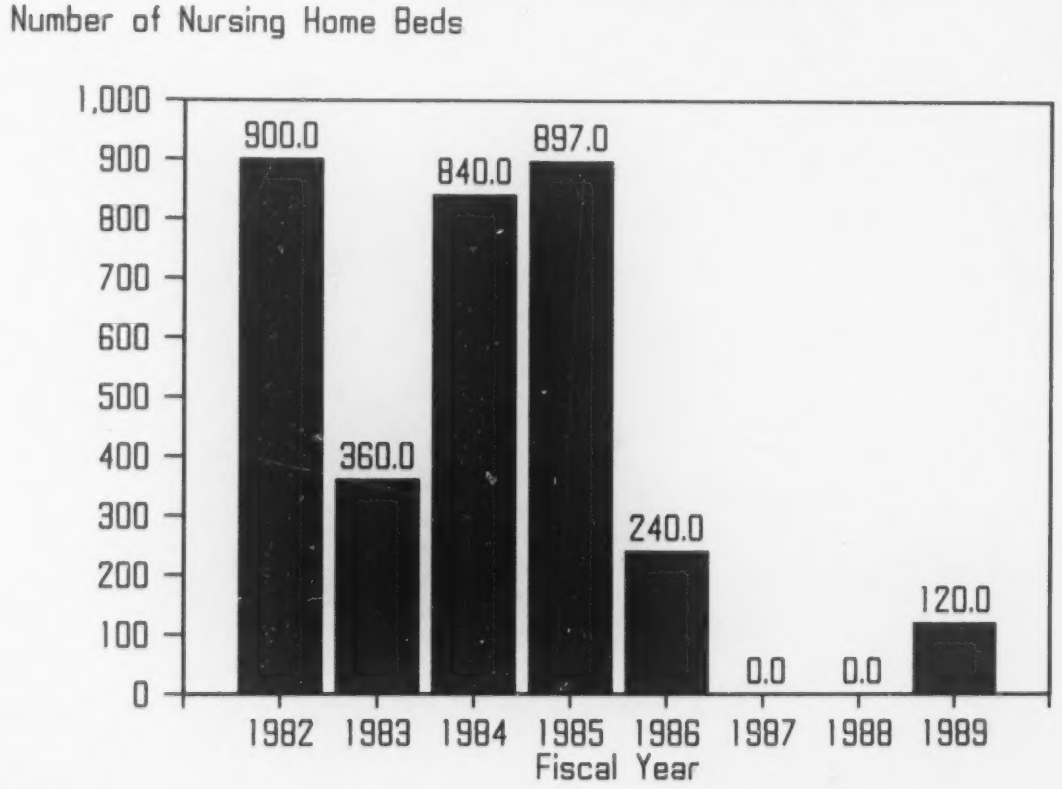
MEDICAL CARE BUDGET AUTHORITY
CURRENT VS. DEFLATED (1977) DOLLARS



NOTE: Current dollars are deflated using the Medical CPI for non-payroll costs and converting the value of 1978-1987 actual and 1988-1989 budgeted employment to 1977 dollars.

New VA Nursing Home Bed Construction

VA Requests 1982-1989



SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE

Compensation

1. The President's budget reflects the existence of a deficiency in fiscal year 1988 of $479.6 million due to the enactment of a 4.2 percent cost-of-living adjustment, effective December 1, 1987 (Public Law 100-227) as well as revisions in caseload projections, revisions in average payments, and the rescheduling of certain payments from 1987 into 1988, but fails to include any funding request equal to this deficiency.

2. The President's budget proposes a 4.2 percent cost-of-living adjustment (COLA) for service-connected disabled veterans and for survivors of veterans who died of service-connected causes. The budget requests $360.9 million in fiscal year 1989 for this COLA.

3. The Administration also proposes that future compensation COLA's be indexed to the changes in the Consumer Price Index in the same manner as the non-service-connected pension program. Indexing the compensation COLA's in this manner would eliminate the need for annual legislative action, but would not leave the Committee with an effective vehicle through which adjustments to the program could be made from year to year based on the particular needs of veterans the adequacy of prior COLA's.

Pension

The budget requests $111.9 million in fiscal year 1989 for a 4.2 percent COLA in the indexed non-service-connected pension program, based on the anticipated change in the Consumer Price Index.

General Operating Expenses

The budget calls for a reduction of 248 staff in the regional office activity that processes claims for disablity, death, and education benefits. Available data shows that during fiscal year 1987 only 30.9 percent of compensation cases were completed within 90 days. Available statistics indicate a downward trend in the VA's timeliness which correlates with the decline in average employment over the same time period.

SUBCOMMITTEE ON EDUCATION, TRAINING AND EMPLOYMENT

1. The President's budget includes a recommendation to repeal the authority that permits the Veterans' Administration to make education loans, effective October 1, 1988. This is the fifth time the Administration has proposed legislation that would terminate this program which provides loans to certain veterans and eligible persons training under Chapter 34 or 35, Title 38, United States Code. The Administration states that it wants to eliminate this loan program because of excessive default rates although only 26 loans were made in FY 1987.

2. Established by Public Law 98–77, the Veterans' Job Training Act has provided more than 58,000 long-term unemployed veterans the opportunity to re-enter the work force in stable, permanent employment. In spite of the demonstrated success of this program, which expires for new participants on June 30, 1988, the President's budget includes no proposal to extend VJTA.

3. The President's budget recommends the reduction of 11 FTEE in the Vocational Rehabilitation and Counseling (VR&C) program. VR&C program data shows increases in workload and unacceptable backlogs.

SUBCOMMITTEE ON HOUSING AND MEMORIAL AFFAIRS

Loan Guaranty Program

1. According to documents explaining the Administration's fiscal year 1989 budget request there is a deficiency in the Loan Guaranty Revolving Fund of $526.6 million. Although not included in the President's budget, an emergency supplemental appropriation request to meet this deficiency is expected shortly, presumably for this amount. This is in addition to the $389.8 million already appropriated to the Revolving Fund this year, for a total of over $900 million required to meet Fund obligations during fiscal year 1988. The fiscal year 1989 appropriation request is for $658 million.

2. The budget proposes a reduction in average employment of 23 FTEE for fiscal year 1988 and an additional 75 FTEE in fiscal year 1989, for a total reduction of 98 FTEE during the two-year period. If these cuts in employment are realized, it would be difficult for the VA to maintain quality and timeliness standards which have deteriorated during the past few years with the drop in interest rates and the increased number of foreclosures. In addition, this action would preclude the VA from attaining the goal of increased defaulted loan servicing.

3. Legislation is again being proposed to repeal current authority to establish maximum interest rates and instead allow for borrower/lender negotiated rates on guaranteed loans.

4. The Administration is resubmitting a legislative proposal that will identify the grant equivalent subsidy of Federal Credit programs. The proposal will require subsidy payments to a central revolving fund at Treasury prior to making a loan. The VA will continue to administer the program, but the Treasury will be the central financing mechanism for new Federal loans.

5. The Administrator will sell loan assets without recourse for the remainder of fiscal year 1988 and during fiscal year 1989. During fiscal year 1987, VA held one loan sale at which it offered loans for sale without recourse. However, the bids were unacceptable, ranging from 15 to 55 cents on the dollar. Public Law 100–203 permits the VA to sell either with or without recourse for two years, depending on the Administrator's determination as to which basis would be in the best interest of the effective functioning of the Loan Guaranty program. The Administration intends to submit a proposal to repeal the provisions of Public Law 100–203.

Memorial Affairs

The President's budget would restrict payment of the $150 plot allowance beginning in 1990, consistent with the requirements for the basic burial allowance which is payable only to disabled veterans in receipt of VA compensation or pension or indigent wartime veterans who die without sufficient resources for burial. The only exception would be veterans who are buried in state cemeteries. Under current law, payment of the plot allowance is authorized for any honorably discharged veteran who is interred in a private or state veterans' cemetery.

COMPARISON WITH INFLATION

Total spending for veterans' programs as presently authorized will decline slightly from 1988 to 1989. Although there are many factors which influence the level of spending for veterans' programs, increases in costs for durable goods and employees' salaries are often measured against the projected rise in the consumer price index. The following chart attempts to make this comparison for veterans' programs. It should be noted that "Payments required by law" will decline slightly in 1989; this is not attributable to a decline in the level of benefits provided. Instead, it is attributable to a decline in claims requiring payments. Programs under the category "Controllable spending" increase at an overall rate that is only 40 percent of the CPI increase, while medical programs increase at a rate that is only 30 percent of the medical CPI.

The Administration's budget presentation projects an increase in budget authority from the 1988 level of $28.1 billion to $30.1 billion in 1989. This projected increase is misleading for two reasons. The 1988 budget figure is understated by over $1 billion; supplemental appropriations for the compensation and pensions, readjustment benefits, and loan guaranty account will be needed but are not included in the 1988 figures. The 1989 figure is overstated because it assumes that Congress will fund a controversial "credit reform" proposal which would require $1.1 billion in funds for the VA in 1989. The "credit reform" proposal involves setting aside a certain percentage (7 percent in the case of VA housing loans) of the face value of each loan made or guaranteed by the VA, in order to "offset" the future costs of such loans. In the case of a $100,000 VA home loan, the VA would be required to set aside approximately $7,000 in a special deposit account in the Treasury. Eventually, all losses from defaults would be paid from this special Treasury account.

The President's $30 Billion VA Budget--How Does It Compare with Inflation?

[in billions of dollars]

	1988[1]	1989	Difference	% Change
Payments required by law:				
Compensation, Pensions and other benefits (assumes 1989 COLA of 4.2%)	$14.828	$15.129	$.301	2.0%
Education	.651	.598	-.053	-8.1%
Loan Guaranty	.916	.658	-.258	-28.2%
Total:	16.395	16.385	-.010	-.1%
Controllable spending:				
Medical programs	10.400	10.622	.222	2.1%*
Construction programs	.523	.501	-.022	-4.2%
Other administrative	.775	.780	.005	.6%
Total:	11.698	11.903	.205	1.8%
Permanent Budget Authority and Trust Fund spending (Net of receipts)	1.068	.695	-.373[2]	-34.9%
SUBTOTAL:	29.161	28.983	-.178	-.6%
Proposed Legislation:				
Credit reform	...	1.091	1.091	
Other	...	.024	.024	
Total:	...	1.115	1.115	N/A
GRAND TOTAL:	$29.161	$30.098	$.937	3.2%

*For comparison purposes, CBO projects the CPI to increase by 4.5% over a comparable period, while the medical CPI is projected to rise by 7.0%.

[1]1988 figures include anticipated supplemental appropriation request of $1.033 billion ($480 million compensation, $527 million loan guaranty, $25 million education.)

[2]Difference due to accounting for loans sold with and without recourse

BACKGROUND AND ANALYSIS OF SELECTED ISSUES

SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE

Compensation

The Administration again proposes that future compensation COLAs be indexed to the changes in the Consumer Price Index in the same manner as is provided for the pension program. Compensation for service-disabled veterans is a high priority issue for the Committee and COLA legislation provides the vehicle for a thorough review of the program on an annual basis. Many refinements and liberalizing provisions have been enacted by making them a part of the high priority compensation COLA bills.

Insurance

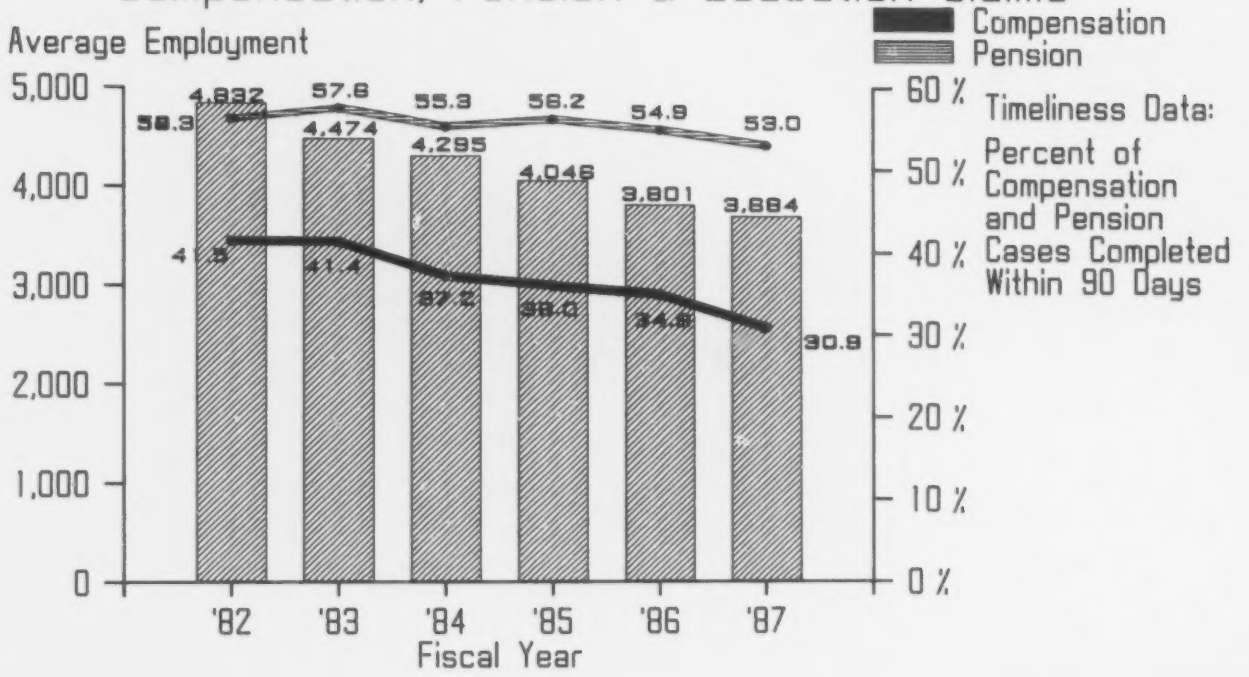
1. The Administration has seemingly abandoned its plan to consolidate the St. Paul Insurance Center into the Philadelphia Insurance Center due to questions raised regarding the appropriateness and cost-effectiveness of the consolidation by the General Accounting Office in a September 16, 1987 report. Furthermore, the Continuing Resolution for fiscal year 1988 (Public Law 100–202) specifically prohibits the use of appropriated funds for consolidation of the centers.

2. During 1988 the VA will introduce toll-free telephone service for Government life insurance policy holders. The purpose of this initiative will be to convert written insurance inquiries into telephone inquiries to enhance quality and timeliness of the insurance services and cost savings to the Department.

General Operating Expenses

1. The budget calls for a reduction of 248 staff in the regional office activity that processes disability, death, and education claims. It also calls for a reduction of 73 staff in Veterans Services. Current service is grossly deficient and a decrease in personnel would further aggravate this deficiency. The following graph reflects the decline in timeliness of claims processing between fiscal years 1982 and 1987 in large part due to the reductions in staff which have occurred each year.

Average Employment and Timeliness in Compensation, Pension & Education Claims



No. of Claims	3,402,474	3,650,068	3,533,929	4,314,094	3,714,078	3,580,319

Average No. Claims/Year = 3,699,160

Continual reductions in staff levels cannot be justified based on lower caseloads when statistics show that timeliness standards continue to decline. Cuts in staffing in excess of the decline in caseload have not been offset by modernization initiatives and, based on the delays the VA has encountered thus far in its modernization efforts, it is clear that the VA will be unable to maintain its current standards unless adequate staffing is provided for in the budget.

2. The budget contains no request for long-term funding for the badly needed DVB modernization project. According to the budget document, only $4.1 million is requested to cover the fixed operating costs of the project. In a report issued in October 1987, the General Accounting Office criticized the VA's 6-year modernization project for proceeding without proper consideration and cost/benefit analyses and for not properly defining its goals. The budget document indicates that the VA has initiated additional studies to be reviewed prior to requesting additional funds for the project.

SUBCOMMITTEE ON EDUCATION, TRAINING AND EMPLOYMENT

1. The President's budget includes a recommendation to repeal the authority that permits the Veterans' Administration to make education loans, effective October 1, 1988. This is the fifth time the Administration has proposed legislation which would terminate this program, citing an excessively high default rate.

The education loan fund is used to provide loans of up to $2,500 to veterans and eligible persons who are in training under Chapters 34 and 35, title 38, United States Code, but who passed their delimiting date with unused entitlement. Loans may also be provided to veterans enrolled in flight training under Chapter 34. Repayment is not required and interest is not charged until 9 months after the date the borrower ceases training at least half-time. Loan amounts of more than $600 must be repaid within a period of 10 years on a monthly, quarterly, semi-annual or annual basis, at the option of the borrower. Smaller amounts must be repaid in a proportionately shorter time.

No appropriation by Congress is required for this program. The fund balance and anticipated collections will be sufficient to support the expected volume of new loans, estimated to be 18 in FY 1989.

2. The Emergency Veterans' Job Training Act, Public Law 98–77, established a program of job training assistance to relieve unemployment among Korean Conflict and Vietnam-era veterans. This program, now known as the Veterans' Job Training Act (VJTA), was subsequently extended and improved by Public Laws 98–543, 99–108, 99–238, 100–77, and 100–227. Under current law, the program terminates for new applicants on June 30, 1988. The President's budget contains no recommendation that VJTA be extended in spite of the fact that Bureau of Labor Statistics (BLS) data for December 1987 shows that 340,000 Vietnam-era veterans are unemployed and looking for work. The same BLS data also re-

veals that Vietnam-era veterans are unemployed at a higher rate than their non-veteran peers.

Since the inception of the program in 1983, VJTA has provided more than 58,000 long-term unemployed veterans the opportunity to reenter the work force in stable, permanent employment. A study and evaluation of this program, which was mandated by Congress, concluded that VJTA has produced statistically significant positive effects on the employment rates and earnings levels of participating veterans.

3. The President's budget recommends a reduction of 11 FTEE in the Vocational Rehabilitation and Counseling (VR&C) program.

VR&C program data indicate increasing service workload. Reductions in FTEE which have occurred in earlier years, in spite of Congressional efforts to correct this decline, have resulted in increased time in Applicant Status and Employment Status for disabled veterans seeking assistance. Applicant Status is the average number of days from date of receipt of Chapter 31 applications in VA to the date the veteran keeps his or her first appointment in the VR&C Division. A veteran enters the Employment Status when he or she is determined to be "job ready" and must be maintained in this status a minimum of 90 days after becoming employed.

Additional indicators demonstrate a decline in acceptable levels of service delivery and quality. There has been a steady increase in the time a veteran is in applicant status. At the end of FY 1987 that average is 90 days and 16 of the 58 VA stations exceed that average. Assuming no new applications for counseling/evaluation services, it would take an average of 6.9 months to eliminate the counseling workload. Twenty stations exceed this mean. The maximum is 19.3 months of work. The vocational rehabilitation specialist (VRS) workload has steadily increased to 195 at the end of FY 1987. A reasonable load is approximately 150 with a workload of 120 being the ideal. Twenty-four stations show a VRS workload in excess of 195. The following table illustrates the effect of reductions in FTEE on timeliness:

Fiscal Year	1984	1985	1986	1987
FTEE (field staff)	621	597	580	580
VR&C workload	26,295	26,441	28,592	29,351
Average days in applicant status	/1/ 27	78	80	90
Average days in employment status	155	233	242	255
CP/2/ Average workload	23	26	22	24
VRS/3/ casemanager average workload	168	170	177	195

/1/ Data incomplete for FY 1984
/2/ Counseling Psychologist
/3/ Vocational Rehabilitation Specialist
Note: Data Source—VA Department of Veterans Benefits

Based upon tentative findings of the Inspector General, a Central Office directed review of rehabilitated cases was conducted. The results of this review identified an incorrect decision in approximately 15 percent of these cases. Based upon this evidence, a program to improve quality from the initial evaluation through rehabilita-

tion was implemented. Regional training seminars were conducted to improve quality, and positive results are beginning to emerge from recent case reviews. The proposed reduction in FTEE would be counter-productive to this effort.

4. The Montgomery GI Bill, established as a permanent program under Public Law 100-48, continues to be highly successful. The following participation statistics for December 1987 reflect the popularity of the program among new active duty recruits: Army—90.6 percent; Navy—63.3 percent; Air Force—67.7 percent; Marine Corps—74.5 percent; DOD total—73.1 percent. Since the implementation of the GI Bill on July 1, 1985, more than 440,000 active duty servicemembers have chosen to participate in this program. Additionally, over 80,000 members of the Selected Reserve have gone to school under the Montgomery GI Bill.

A provision of the GI Bill for active duty personnel requires that participants agree to a $100/month reduction in their basic pay for 12 months. Through October 31, 1987, $330,244,000 had been deposited in the General Treasury as a result of the pay reduction. Had these funds not been deposited in the Treasury, the interest costs to borrow these funds would be over $32 million. It is estimated that annual collections into this account will total $210 million in FY 1988 and FY 1989. The Committee had requested that these statistics be included in the VA budget documents, a request with which the VA complied. The Office of Management and Budget removed this information from the documents submitted by the VA and, accordingly, VA budget documents submitted to the Congress do not contain this valuable information.

SUBCOMMITTEE ON HOUSING AND MEMORIAL AFFAIRS

Loan Guaranty Program

The Loan Guaranty program has provided over 12 million veterans with the benefit of home ownership. Since the creation of the Revolving Fund, the program did not require appropriated funds until 1984; the direct loan program provided revenue as needed. Since that time, funding for the program has been as follows:

[In thousands of dollars]

Fiscal Year	Appropriations	Dir. Loan Transfer	Other Transfer	Total
1984	$ 100,000	$230,000	$160,000	$ 490,000
1985	306,600			306,600
1986	200,000			200,000
1987	100,000	110,000		210,000
1988	389,800			389,800
Total	$1,096,400	$340,000	$160,000	$1,596,400

FISCAL YEAR 1988

The budget contains a funding "deficiency" of $526.6 million. The Administration has indicated it will be forwarding an emergency

supplemental request shortly, presumably for this amount. Combined with the $389.8 million already appropriated to the Revolving Fund this year, the Fund will require over $900 million in external financing to remain solvent during fiscal year 1988.

Property acquisition and claim costs account for 80 percent of all expenditures from the Fund. These workloads and costs are projected to be 20 percent above the fiscal year 1987 level. Contributing to these expenditures is the severe economic situation prevailing in the southwest region of the country (those states affected by the oil industry).

The cash sale of properties is estimated to generate $889 million, $800 million from loan sale proceeds, and $148 million from funding fee collections. The budget indicates that of the $800 million in loan sales, $365.7 million are proceeds from recourse loan sales, the remainder from non-recourse sales.

FISCAL YEAR 1989

The budget contains an appropriation request for $658 million. Basically, workloads remain unchanged, with claims and property acquisitions estimated to decrease five percent from the fiscal year 1988 level.

Legislative Proposals

NEGOTIATED INTEREST RATE

Legislation is being proposed to repeal the Administrator's current authority to establish maximum interest rates and instead allow for borrower/lender negotiated rates on guaranteed loans.

In the past, veterans organizations have testified against this proposal, projecting it could result in higher rates paid by veterans. Furthermore, few, if any lenders will actually negotiate interest rates with individual borrowers.

The use of "negotiated" interest rates could also increase VA claim costs and adversely affect the Loan Guaranty Revolving Fund. Since it is expected that "negotiated" interest rates would be higher than current VA established maximum rates, the VA's claim costs would increase, resulting in increased outlays from the Loan Guaranty Revolving Fund. Because the Government assumes most of the risk on the guaranteed mortgage, it has an obligation to the taxpayer to moderate interest rates to the maximum extent possible to minimize its financial exposure.

CREDIT REFORM

The Administration is resubmitting a legislative proposal that will identify the grant equivalent subsidy of Federal Credit programs. A grant equivalent subsidy occurs whenever the Government provides credit to borrowers on more favorable terms than what is available in the private sector. The proposal will require subsidy payments to a central revolving fund at Treasury prior to making a loan. The Agency will continue to administer the program, but the Treasury will be the central financing mechanism for new Federal loans. The grant equivalent subsidy value for guar-

anteed loans is 6.6 percent in 1989; 6.7 percent in 1990 and 6.8 percent thereafter. The subsidy value for vendee (direct) loans is 16 percent for all years.

VENDEE LOAN SALES

The Administration is proposing to repeal the provisions of Public Law 100-203, which mandate that mathematical calculations be performed prior to offering loans for sale to determine which basis (with or without recourse) would be in the best interest of the effective functioning of the Loan Guaranty program. The budget documents reflect loan sales without recourse for the remainder of fiscal year 1988 and all of fiscal year 1989.

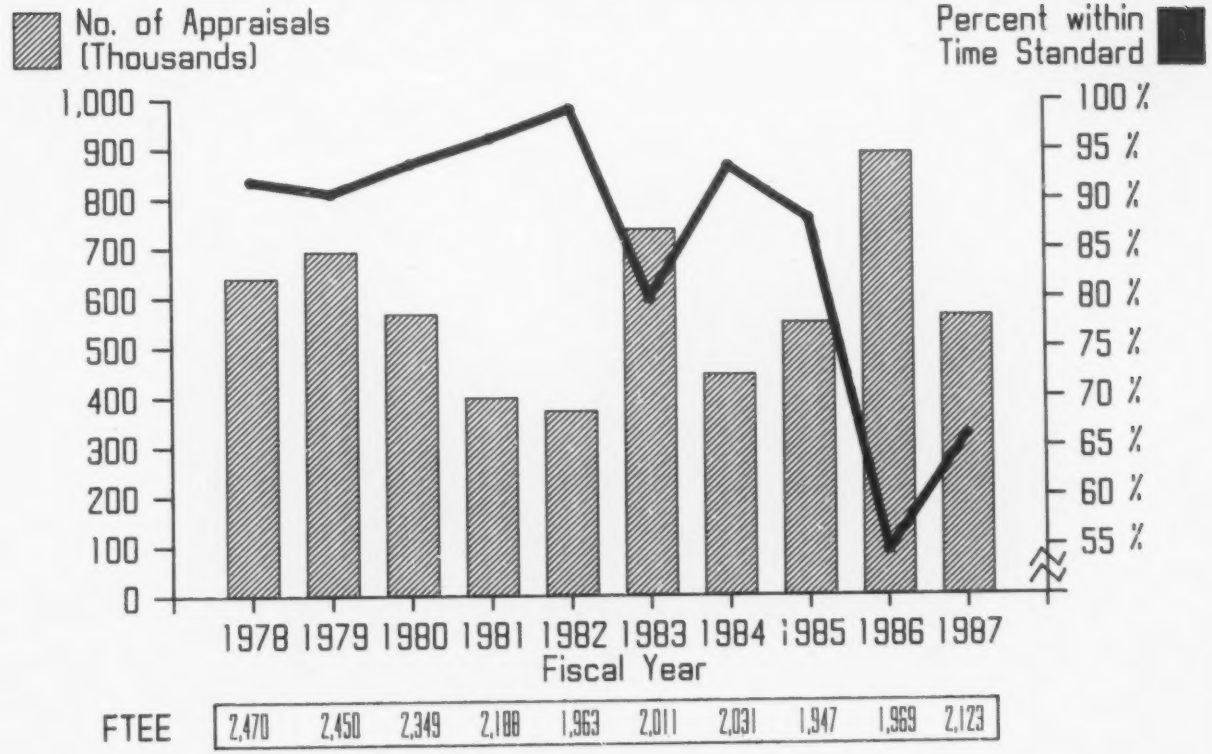
PLOT ALLOWANCE

The Administration will also propose legislation to restrict payment of the $150 plot allowance beginning in 1990, consistent with the requirements for the basic burial allowance only to disabled veterans in receipt of VA compensation or pension or indigent wartime veterans who die without sufficient resources for burial. The only exception would be veterans who are buried in state cemeteries. When the Administration proposed in the fiscal year 1982 budget to change the eligibility requirements for the basic burial allowance, the Office of Management and Budget stated that it did not want to simultaneously change the eligibility requirements for the plot allowance. OMB wished to keep this benefit intact so that the death certificates accompanying applications for the plot allowance could be used by the Government for statistical and research purposes. The Committee concurred with OMB, and is unaware of any change in this requirement.

Loan Guaranty Employment—GOE Account

The following chart depicts appraisal workload, the timeliness with which these appraisals are issued, (the standard is 85 percent within 15 days) and the average level of employment for the Loan Guaranty program. While the workload has fluctuated, employment has decreased significantly (14 percent over the ten-year period). For example, fiscal year 1982 was a low volume year, with 1,963 FTEE. This compares with fiscal year 1986, an extremely high volume year, yet there were only six additional FTEE. As can be expected, timeliness decreases when workloads peak.

Loan Guaranty Workload and Timeliness



	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
FTEE	2,470	2,450	2,349	2,188	1,963	2,011	2,031	1,947	1,969	2,123

The Administration proposes that Loan Guaranty employment decrease by 23 FTEE during fiscal year 1988 and an additional 75 FTEE in fiscal year 1989. During 1988, demand for services associated with refinancing loans will diminish from the fiscal year 1987 level as mortgage interest rates are expected to stabilize. The quality and timeliness of the appraisal and loan processing workloads should continue to improve with the more even workflow. Workloads associated with claims and property management will remain very high, indicative of the economic problems in Texas, Colorado, and other states affected by the slump in the oil industry. In fiscal year 1989 a similar level of program workload is expected.

With cuts in employment, it becomes increasingly more difficult to carry out Congressional mandates, especially concerning increased supplemental servicing of defaulted loans. In December, 1987, the President signed P.L. 100-198, which directs the VA to provide the veteran with information, and to the extent feasible, counseling regarding alternatives to foreclosure, and both the Agency's and the veteran's liabilities with respect to the foreclosure. Approximately $4 million is requested in fiscal year 1989 for a property management pilot program, which is designed to evaluate the feasibility, cost effectiveness and administrative efficiency of accomplishing acquisition, management and resale activities by a private contractor.

Memorial Affairs—FTEE

Average employment is expected to increase only slightly over the fiscal year 1987 level, and remain constant during fiscal year 1989. There is a steadily increasing workload in interments, with an increase in the number of graves maintained.

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